PERAC AUDIT REPORT

Belmont Contributory Retirement System

JAN. 1, 2010 - DEC. 31, 2012

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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January 28, 2014

The Public Employee Retirement Administration Commission has completed an examination of the Belmont Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2010 to December 31, 2012. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners James Ryan and William Walsh who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Refunds:

An examination of refunds to members during the 2010-2012 audit years indicated that several of the refunds sampled returned an incorrect amount of interest to the member. In several cases, the 3% interest rule was not being applied to members who had less than ten years of creditable service and voluntarily withdrew from the system, and they are owed an additional refund to make up for the difference in interest that should have been applied. It was also determined that members who left involuntarily were not refunded 100% of their accrued interest. Pursuant to G.L. c. 32, § 11, members leaving public service involuntarily are entitled to 100% of their interest earned. Additionally, other refunds issued did not abide by the two year rule. There were refunds issued to members which included interest accrued beyond the two years after they left service and they owe money back to Belmont.

Recommendation: Chapter 131 of the Acts of 2010 states that effective July 1, 2010, the annual rate of interest that will be paid when a member voluntarily withdraws from service and seeks a return of his or her contributions with less than 120 months (10 years) of creditable service will be 3%. Also, PERAC's form "Application for Withdrawal of Accumulated Total Deductions" should be reviewed to ensure all rules governing the refunding of interest are understood. In addition, the Board must review members' files to make sure all members who left involuntarily were refunded 100% of their accrued interest. Finally, G.L. c. 32, § 22 (6)(d) specifies that "no regular interest shall be included in the amount of any accumulated total deductions which are to be paid to the member … for any period after the expiration of two years from the end of the month immediately preceding the date of his termination of service." This "two-year rule" for interest must be followed for all refunds to inactive members. The members who are owed additional interest should be notified and paid. The members that owe money back to Belmont should be contacted and made aware of the error in calculating the original refund and asked to pay back what is owed to the Belmont Retirement System. If there are any problems retrieving money back from these former members, the Belmont Retirement Board should be made aware, and have a vote on how to proceed.

Board Response:

The Board reviewed the way that it tracks this information and is fully aware of the statutory change. The situations addressed in the Audit Report have been reviewed and adjustments are being made to resolve this finding. When the work is completed, we will provide a further response.

2. Member Deductions:

The auditor reviewed the December 31, 2012 payroll register to validate that retirement payroll deductions were being properly withheld. It was observed that three members with regular earnings between $31,000 and $35,000 did not have the required 2% deduction being withheld from their weekly pay check. In addition, a travel allowance stipend was set up in the payroll system to have retirement deductions withheld. "Pursuant to 840 CMR 15.03 (3)(f) the term "regular compensation" shall not include "payments for… automobile usage"."

Recommendation: A periodic review of the Town of Belmont's payroll registers must be consistently performed with an emphasis on verifying categories of earnings payments and their retirement deduction eligibility.

The payroll system should be automatically programmed to withhold 2% deductions on weekly regular earnings over $576.92 (refer to PERAC MEMO # 43/1999, which defined the additional 2% deduction for guidance), and discontinue withholding retirement deductions on travel allowances. Payroll adjustments for over or under withheld retirement deductions should be processed to the effected members as soon as possible.

Board Response:
The two situations were unique because of how their earnings brought them over the $30,000.00 cap. The situation has been rectified as part of the December 2012 payroll requiring no further action by the Board or staff to be in compliance with the statute.

3. Annuity Savings Fund:
The December 31, 2012 balance of the Annuity Savings Fund is overstated versus the Member Supplemental Schedule balance by approximately $7,000. The difference appears to be related to member payroll deductions not added into the Supplemental Schedule.

Recommendation: A detailed reconciliation of the activity recorded in the Annuity Savings Fund and the Member Supplemental Schedule should be performed to determine the correct adjustment to be made to the Member Supplemental Schedule.

Board Response:
Since this has been brought to our attention, a review of the affected records has been ongoing. We will provide a complete response at the conclusion of the System's re-examination of the relevant information and internal review.

4. Affidavits:
The auditor reviewed the 2012 Retiree Affidavit submission requirement. It was observed that over 30 retirees had not submitted a signed affidavit for 2012. Subsequent inquiry about the affidavit process revealed that all affidavits are not required if the Board believes the retiree is alive. Currently, the process does not require a hold on benefit payment until proof of life has been verified.

Recommendation: Per PERAC Regulation 840 CMR 15.01 "Affidavit of Retired Members and Beneficiaries", no less frequently than once every two years, each retirement board shall require each member or beneficiary who receives a pension, retirement allowance, or survivor's allowance to file with the retirement board an affidavit under the penalties of perjury…" There are no exceptions to this requirement.

Board Response:
Although the members had not returned Retiree Affidavits, the Board was aware of the status of the 30 retirees who had not provided Affidavits. At the same time, the Board and staff have addressed this concern as follows:

The Board's Administrator sent the form in September 2013 with the Retirees' checks, to be returned by October 31, 2013. On December 2, 2013, the Administrator mailed letters to those individuals who did not return the form stating that their December 2013 allowance payment would be withheld until the Affidavits were completed and returned to the Board.

Based upon this action, the System is in full compliance with this issue.

5. Date of Death Benefit Cut-Off:
It was observed that a retiree who died 5/19/13 received a benefit payment through 5/31/13, and the Board did not seek recovery for the benefits paid in that month after the date of death. It was discovered that the practice for the Board is to pay a full month of retirement benefits for retirees who die more than half-way through the month.

Recommendation: The law requirement is to pay the retiree through the date of death. If the check is issued before there was any knowledge or enough time to change the check amount, the Board should contact the beneficiary or next of kin and seek recovery of the portion that was overpaid.

Board Response:
The Board did review the case referenced in your exception as well as the circumstances of that case and determined that an attempt will be made to collect the overpayment, but will not spend a disproportionate amount in attempting to collect the amount due.

In the future, if there is an inadvertent overpayment, the matter will be immediately addressed. Attempts are made to track members locally, but it is difficult in situations where the members are across the country or out of the country.

FINAL DETERMINATION:
PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2012	2011	2010
Net Assets Available For Benefits:			
Cash	$829,195	$789,505	$592,905
Equities	11,114,680	10,908,458	17,053,103
Pooled Domestic Equity Funds	8,687,872	8,645,261	9,507,367
Pooled International Equity Funds	6,890,762	5,991,195	7,614,347
Pooled Global Equity Funds	1,974,433	1,948,851	0
Pooled Domestic Fixed Income Funds	11,569,897	11,823,976	11,811,890
Pooled International Fixed Income Funds	2,004,690	1,967,819	2,319,999
Pooled Alternative Investment Funds	9,314,838	6,210,151	1,904,357
Pooled Real Estate Funds	8,228,345	6,952,957	4,015,388
Pooled Domestic Balanced Funds	6,343,160	5,131,210	0
Hedge Funds	0	0	6,369,841
PRIT Core Fund	1,586,670	1,398,783	1,403,349
Interest Due and Accrued	0	0	92
Accounts Receivable	3,235,480	3,094,421	2,776,202
Accounts Payable	(120,098)	(58,136)	(62,108)
Total	$71,659,922	$64,804,450	$65,306,733
Fund Balances:			
Annuity Savings Fund	$22,216,818	$20,549,067	$19,887,803
Annuity Reserve Fund	6,574,296	7,202,783	7,090,365
Pension Fund	0	0	14,245
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	42,868,808	37,052,599	38,314,319
Total	$71,659,922	$64,804,450	$65,306,733

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2010)	$19,076,428	$6,900,650	($14,245)	$0	$0	$33,514,947	$59,477,780
Receipts	2,209,270	201,601	5,821,106	0	544,234	6,784,713	15,560,924
Interfund Transfers	(1,184,073)	1,184,073	1,985,341	0	0	(1,985,341)	0
Disbursements	(213,822)	(1,195,959)	(7,777,957)	0	(544,234)	0	(9,731,971)
Ending Balance (2010)	19,887,803	7,090,365	14,245	0	0	38,314,319	65,306,733
Receipts	2,218,265	211,396	6,395,823	0	583,545	416,839	9,825,868
Interfund Transfers	(1,153,891)	1,153,891	1,678,559	0	0	(1,678,559)	0
Disbursements	(403,110)	(1,252,868)	(8,088,627)	0	(583,545)	0	(10,328,151)
Ending Balance (2011)	20,549,067	7,202,783	0	0	0	37,052,599	64,804,450
Receipts	2,536,802	204,478	6,873,018	0	567,717	7,267,994	17,450,009
Interfund Transfers	(506,729)	506,729	0	0	0	0	0
Disbursements	(362,322)	(1,339,694)	(8,324,803)	0	(567,717)	0	(10,594,536)
Ending Balance (2012)	$22,216,818	$6,574,296	($1,451,785)	$0	$0	$44,320,594	$71,659,922

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2012	2011	2010
Annuity Savings Fund:			
Members Deductions	$2,129,948	$2,072,553	$2,065,699
Transfers from Other Systems	384,868	94,526	75,788
Member Make Up Payments and Re-deposits	1,525	0	11,941
Investment Income Credited to Member Accounts	20,461	51,185	55,842
Sub Total	2,536,802	2,218,265	2,209,270
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	204,478	211,396	201,601
Sub Total	204,478	211,396	201,601
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	125,161	124,147	124,787
Received from Commonwealth for COLA and Survivor Benefits	266,726	79,242	170,931
Pension Fund Appropriation	6,466,198	6,183,034	5,525,388
Settlement of Workers' Compensation Claims	14,933	9,400	0
Sub Total	6,873,018	6,395,823	5,821,106
Military Service Fund:			
Investment Income Credited to the Military Service Fund	0	0	0
Sub Total	0	0	0
Expense Fund:			
Investment Income Credited to the Expense Fund	567,717	583,545	544,234
Sub Total	567,717	583,545	544,234
Pension Reserve Fund:			
Federal Grant Reimbursement	0	734	13,412
Interest Not Refunded	282	109	699
Miscellaneous Income	4,988	0	0
Excess Investment Income	7,262,724	415,996	6,770,602
Sub Total	7,267,994	416,839	6,784,713
Total Receipts, Net	$17,450,009	$9,825,868	$15,560,924

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2012	2011	2010
Annuity Savings Fund:			
Refunds to Members	$51,762	$279,010	$180,802
Transfers to Other Systems	310,560	124,101	33,019
Sub Total	362,322	403,110	213,822
Annuity Reserve Fund:			
Annuities Paid	1,260,432	1,243,601	1,166,376
Option B Refunds	79,263	9,267	29,582
Sub Total	1,339,694	1,252,868	1,195,959
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,939,130	6,290,688	5,805,934
Survivorship Payments	534,642	387,130	571,384
Ordinary Disability Payments	130,170	117,040	114,880
Accidental Disability Payments	1,320,280	1,004,753	994,878
Accidental Death Payments	58,381	57,662	56,942
3(8)(c) Reimbursements to Other Systems	342,201	231,355	233,939
Sub Total	8,324,803	8,088,627	7,777,957
Expense Fund:			
Board Member Stipend	12,000	13,250	15,000
Salaries	88,566	86,832	84,302
Legal Expenses	22,842	21,492	18,110
Medical Expenses	0	187	0
Travel Expenses	1,335	0	3,697
Administrative Expenses	9,247	6,856	8,526
Actuarial Services	3,000	4,680	11,200
Accounting Services	8,000	8,000	8,000
Education and Training	8,910	5,698	4,494
Management Fees	307,621	340,768	293,801
Custodial Fees	34,918	30,000	30,000
Consultant Fees	47,500	42,500	40,000
Service Contracts	18,954	18,614	22,612
Fiduciary Insurance	4,824	4,670	4,493
Sub Total	567,717	583,545	544,234
Total Disbursements	$10,594,536	$10,328,151	$9,731,971

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2012	2011	2010
Investment Income Received From:			
Cash	$0	$0	$944
Short Term Investments	321,246	43,189	0
Fixed Income	714,315	0	0
Equities	169,991	162,136	215,135
Pooled or Mutual Funds	356,536	1,787,099	1,525,588
Total Investment Income	1,562,088	1,992,424	1,741,668
Plus:			
Realized Gains	1,959,149	2,749,781	895,030
Unrealized Gains	7,812,878	3,630,243	10,589,659
Interest Due and Accrued - Current Year	0	0	92
Sub Total	9,772,027	6,380,024	11,484,782
Less:			
Realized Loss	(105,964)	(983,300)	(492,850)
Unrealized Loss	(3,172,772)	(6,126,933)	(5,161,248)
Interest Due and Accrued - Prior Year	0	(92)	(73)
Sub Total	(3,278,736)	(7,110,326)	(5,654,170)
Net Investment Income	8,055,380	1,262,122	7,572,279
Income Required:			
Annuity Savings Fund	20,461	51,185	55,842
Annuity Reserve Fund	204,478	211,396	201,601
Military Service Fund	0	0	0
Expense Fund	567,717	583,545	544,234
Total Income Required	792,656	846,126	801,677
Net Investment Income	8,055,380	1,262,122	7,572,279
Less: Total Income Required	792,656	846,126	801,677
Excess Income To The Pension Reserve Fund	$7,262,724	$415,996	$6,770,602

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2012	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$829,195	1.2%
Equities	11,114,680	16.2%
Pooled Domestic Equity Funds	8,687,872	12.7%
Pooled International Equity Funds	6,890,762	10.1%
Pooled Global Equity Funds	1,974,433	2.9%
Pooled Domestic Fixed Income Funds	11,569,897	16.9%
Pooled International Fixed Income Fund	2,004,690	2.9%
Pooled Alternative Investment Funds	9,314,838	13.6%
Pooled Real Estate Funds	8,228,345	12.0%
Pooled Domestic Balanced Funds	6,343,160	9.3%
PRIT Core Fund	1,586,670	2.3%
Grand Total	$68,544,541	100.0%

For the year ending December 31, 2012, the rate of return for the investments of the Belmont Retirement System was 13.06%. For the five-year period ending December 31, 2012, the rate of return for the investments of the Belmont Retirement System averaged 5.20%. For the twenty-eight-year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Belmont Retirement System was 9.48%.

The composite rate of return for all retirement systems for the year ending December 31, 2012 was 13.84%. For the five-year period ending December 31, 2012, the composite rate of return for the investments of all retirement systems averaged 1.83%. For the twenty-eight-year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.27%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Belmont Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

February 14, 2012
BELMONT RETIREMENT BOARD SUPPLEMENTARY REGULATION MONDRIAN GLOBAL FIXED INCOME FUND L.P.
The Belmont Retirement Board may forego the normal procurement process for investment related service (840 CMR 16.08) and transfer assets from the Delaware Pooled Trust Global Fixed Income Portfolio into the Mondrian Global Fixed Income Fund, L.P.

June 27, 2011.
Notwithstanding the provisions of the Code of Massachusetts Regulation 840 CMR 21.01 (2), (3)(a) & (b), (4)(a) & (b), and (5), Belmont, MA Contributory Retirement System through its duly constituted Retirement Board may invest funds of the Retirement System in the fund known as the PIMCO All Asset Fund within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA).

The PIMCO All Asset Fund shall not be subject to the existing provisions of 840 CMR 21.01 (2), (3)(a) & (b), (4)(a) & (b), and (5), but shall be subject to the prohibited investment provisions under ERISA guidelines.

The prohibited investment provisions that apply to the PIMCO All Asset Fund portfolio shall be defined relying upon ERISA statutory exemptions and the administrative class exemptions and regulations, specifically QPAM Exemption 84-14, as amended ("PTCE 84-14"), Prohibited Transaction Class Exemption 91-38 ("PTCE 91-38") issued by the Department of Labor and other ERISA applicable regulations retroactive to the time that PIMCO All Asset Fund began investing the System's funds.

May 11, 2011
19.01(4)
The Belmont Retirement Board is authorized to raise its maximum allocation to real estate investments from 10% to 14%. The Board's asset allocation analysis indicates that by reducing exposure to both equities and core bonds and adding exposure to real estate, an asset class seen to offer good value in the current market, the volatility of the Board's portfolio will substantially decline and its risk-adjusted return will increase.

November 17, 2006
(3)(b), (4)(a-c), and (5)
In accordance with Investment Guideline 99-2, the Belmont Retirement System is authorized to modify its international equity management mandate with Julius Baer Asset Management by transferring its assets from the Julius Baer International Equity Strategy Fund to the Julius Baer International Equity Trust Fund. The new fund is a commingled fund specifically structured for the firm's pension fund clients. There is no change in strategy or benchmark, but the new fund offers greater liquidity for clients. It also has broader authorization to employ certain derivatives for hedging and liquidity purposes, consistent with the overall strategy of the Fund. At times, such derivative use may exceed the level envisioned by existing PERAC regulations and guidelines.

October 10, 1996
840 CMR 21.00:
(3) Prohibited Investments Futures Contracts other than as follows:

(c)Futures and options may be employed in the System's commingled international equity and global bond funds in the following two circumstances:

1) Create a synthetic position in an asset class with the goal of replicating the risk return profile of that asset class, provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.

2) Tactically change the exposure of the portfolio to the countries in the investment universe in a prompt and efficient manner.

(d) Any use of other derivative contracts or derivative securities not specifically mentioned herein is prohibited. As emphasis, it is noted that the following two uses of derivatives are prohibited:

1) Leverage. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used, or otherwise leverage the portfolio in any other way.

2) Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable, unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

November 2, 1995
840 CMR 21.00:
Prohibited Investments
(3) Futures Contracts other than as follows:
(a) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.
(b) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio to a maximum of fifty percent (50%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

October 26, 1995
20.03(4)
International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

20.04(6)
Foreign corporations and obligations issued and guaranteed by foreign governments.

20.07(5)
Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

July 29, 1992
18.02(4)

Rate of Return.
A statement of the rate of return objective for the entire portfolio which shall be real rate of return (after inflation) of at least 4% per year.

18.02(5)
Total portfolio risk exposure should reasonably be centered in the midrange (25th to 75th percentile) of comparable Public Funds.

Risk-adjusted returns are expected to consistently rank in the top half of comparable Public Funds.

February 21, 1992
4.03:
Copies to be Sent to PERA (1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:
(a)cash book entries;
(b) trial balance; and
(c) journal entries.

December 20, 1991
16.02(3)
The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:
(a)1% of the value of the fund for the first $5 million; and
(b)0.5% of the value of the fund in excess of $5 million.

16.02(4)
The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

December 21, 1987
20.04(6)
American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that any such investments not exceed 5% of the total book value of equity investments.

March 4, 1987
20.03(1)
Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

20.03(2)
At least 35% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Belmont Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.

- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.

- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.

- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age". "Maximum age" applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $774.36 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $774.36 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of $100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is $9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is $12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to $6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of $1,000. For many years the COLA base was calculated based upon the first $12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Belmont Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

September 29, 2008
Membership
The threshold for eligibility for membership in the Belmont, Mass. Contributory Retirement System for permanent part-time employment shall be a minimum of 25 hours per week of employment in a position, or combined positions, of the Town of Belmont covered by the Retirement System. This Rule is to become effective for all new employees of the Town of Belmont hired on or after the date of the approval of this local Rule by the Public Employee Retirement Administration Commission.

September 29, 2008
Creditable Service
Any employee of the Town of Belmont of its member Units who is otherwise eligible for membership in the Retirement System, who work the full number of hours assigned to that position, as long as the number of hours per week for that job function is at least 25 hours per week and the hours do not change, will receive full time credit only if the member retires from said position. If the member moves to a full-time position or the part-time position becomes full-time, then all prior service performed as part-time service will be prorated.

June 1, 2004
Travel Regulations
The Belmont Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website http://www.mass.gov/perac/Belmont.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Chitra Subramanian		
Appointed Member:	James Sloman	Term Expires:	06/30/14
Elected Member:	Rosario Sacco, Chairman	Term Expires:	06/30/16
Elected Member:	Walter D. Wellman	Term Expires:	12/27/14
Appointed Member:	Thomas F. Gibson	Term Expires:	02/06/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement . All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	Coverage provided to a limit of
		$50,000,000 under a master MACRS
Ex-officio Member:	)	sponsored policy issued through a
Elected Members:	)	layered program with Travelers, National
Appointed Members:	)	Union Fire, and Arch. Separate fidelity
Staff Employees:	)	coverage pertaining to ERISA/Crime to a
		limit of $1,000,000 issued through
		Travelers Casualty and Surety Company,
		deductible $10,000.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2012.

The actuarial liability for active members was	$51,073,801
The actuarial liability for vested terminated members was	980,187
The actuarial liability for retired members was	82,468,083
The total actuarial liability was	$134,522,071
System assets as of that date were	67,144,549
The unfunded actuarial liability was	$67,377,522
The ratio of system's assets to total actuarial liability was	49.9%
As of that date the total covered employee payroll was	$20,823,251

The normal cost for employees on that date was	9.0% of payroll
The normal cost for the employer was	6.1% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	7.75% per annum
Rate of Salary Increase:	varies by job, group and years of service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2012	$67,144,549	$134,522,071	$67,377,522	49.9%	$20,823,251	323.6%
1/2/2010	$63,499,612	$123,684,550	$60,184,938	51.3%	$19,351,253	311.0%
1/1/2008	$61,969,418	$112,124,213	$50,154,795	55.3%	$18,961,342	264.5%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retirement in Past Years										
Superannuation	20	20	9	8	12	9	4	9	7	7
Ordinary Disability	0	0	0	1	0	0	0	0	0	0
Accidental Disability	1	1	0	0	0	2	2	2	3	0
Total Retirements	21	21	9	9	12	11	6	11	10	7
Total Retirees, Beneficiaries and Survivors	335	335	357	355	362	359	353	357	360	351
Total Active Members	452	417	422	446	445	470	455	454	444	458
Pension Payments										
Superannuation	$4,050,152	$4,613,184	$5,024,203	$5,137,999	$5,216,654	$5,612,832	$5,621,116	$5,805,934	$6,290,688	$5,939,130
Survivor/Beneficiary Payments	545,390	546,442	109,893	513,774	308,983	313,372	377,299	571,384	387,130	534,642
Ordinary Disability	112,703	115,223	117,743	131,913	142,388	145,268	118,126	114,880	117,040	130,170
Accidental Disability	677,314	724,640	898,013	765,118	762,928	780,665	976,914	994,878	1,004,753	1,320,280
Other	171,168	170,629	429,513	202,894	487,313	495,389	503,380	290,881	289,016	400,581
Total Payments for Year	$5,556,727	$6,170,118	$6,579,365	$6,751,698	$6,918,266	$7,347,526	$7,596,835	$7,777,957	$8,088,627	$8,324,803

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

Chapter 97 of the Acts of 2007, and further revised by Chapter 382 of the Acts 2010, allowed the Town of Belmont to establish a Group Insurance Liability Fund to pay premium costs and claim costs on behalf of retired town employees and eligible spouses and dependents. Section 2(b) states that the fund shall be subject to PERAC's triennial audit.

The most recent actuarial valuation of the Town of Belmont's Group Insurance Liability Fund was prepared by KMS Actuaries LLC as of July 1, 2012.

The actuarial liability for active members was	$106,595,221
The actuarial liability for retired members was	89,348,128
The total actuarial liability was	$195,943,349
System assets as of that date were	1,316,700
The unfunded actuarial liability was	$194,626,649
The ratio of system's assets to total actuarial liability was	0.7%

GASB DISCLOSURE INFORMATION
AS OF JULY 1, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
7/1/2012	$1,316,700	$195,943,349	$194,626,649	0.7%	$44,045,000	441.9%
7/1/2010	$1,009,894	$184,907,102	$183,897,208	0.5%	$39,766,311	462.4%
7/1/2008	$501,409	$166,550,323	$166,048,914	0.3%	$33,252,323	499.4%

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount calculated in accordance with GASB 45. The ARC represents the amount that is projected to cover each year's normal cost and amortize the unfunded liability over a period not to exceed 30 years.

NOTES TO FINANCIAL STATEMENTS (Continued)

Net OPEB Obligation (NOO)

Fiscal Year Ending 6/30	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost a+b+c (d)	Annual Contribution (e)	Net Increase in NOO d-e (f)	NOO as of following Date (g)
2012	19,033,041	1,657,907	(2,157,329)	18,533,619	8,198,567	10,335,052	43,493,192
2011	18,220,908	1,142,652	(1,486,860)	17,876,700	7,571,592	10,305,108	33,158,140
2010	16,827,151	671,922	(874,329)	16,624,744	7,210,150	9,414,594	22,853,032

Other Required Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar amount over 30 years based on partial pre-funding or full pre-funding
Remaining Amortization Period	30 years (as of 7/1/12)
Asset Valuation	Market Value

Actuarial Assumptions

Investment Rate of Return	7.5%
Inflation Rate	4.0%
Medical/Drug Cost Trend Rate	10.0%, decreasing 0.75% for 6 years and 0.5% for 1 year for an ultimate rate of 5.0%

Plan Membership

Actives	670
Retirees, Beneficiaries, and Dependents	493
Total	1163

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January 15, 2015

Rosario Sacco, Chairman
Belmont Retirement System
455 Concord Ave
Belmont, MA 02478

REFERENCE: Report of the Examination of the Belmont Retirement System for the three-year period from January 1, 2010 through December 31, 2012.

Dear Chairman Sacco:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Belmont Retirement System for the most recent period referenced above. We conduct these visits as a regular part of the oversight process. They are designed to ensure the timely implementation of corrective action for the recommendations cited in that report. The examination addressed five specific findings and recommendations included in the audit report for the period referenced above. The results are as follows:

1. The Audit Report cited a finding that several refunds examined returned an incorrect amount to former members.

Follow-up Result: Checks have been sent to the former members who were owed additional refunds, and letters have been sent to the former members who owe the Belmont Retirement System money. Those former members received more of a refund than what they were entitled to receive. The Belmont Retirement System, as of this follow-up, has not yet received one of the checks from a former member who owes the System money. This issue is partially resolved.

2. The Audit Report cited a finding that three members with regular earnings between $31,000 and $35,000 did not have the required 2% deduction being withheld from their weekly paycheck, and a travel allowance stipend was set up in the payroll system to have retirement deductions withheld.

Follow-up Result: Upon review of a recent payroll register, it was determined that the required 2% deduction is now being withheld from the three members cited in the finding and that the travel allowance stipend no longer has retirement deductions withheld. This issue is resolved.

3. The Audit Report cited a finding that the December 31, 2012 balance of the Annuity Savings Fund is overstated versus the Member Supplemental Schedule balance by approximately $7,000.

Follow-up Result: A detailed reconciliation of the activity recorded in the Annuity Savings Fund and the Member Supplemental Schedule should be performed to determine the correct adjustment to be made to the Member Supplemental Schedule. This issue remains unresolved.

4. The Audit Report cited a finding that over 30 retirees had not submitted a signed affidavit for 2012.

Follow-up Result: The Board sent out affidavits in 2013. All were returned, signed, and notarized (when necessary). This issue is resolved.

5. The Audit Report cited a finding that it is the Board's practice to pay a full month of retirement benefits for retirees who die more than half-way through the month.

Follow-up Result: The Belmont Retirement System now sends letters to the next-of-kin, requesting a return of funds for retirement benefits paid to a retiree beyond their date of death. This issue is resolved.

The Commission wishes to acknowledge the effort demonstrated by the staff of the Belmont Retirement System to correct many of the deficiencies cited in the most recent examination of the system. PERAC auditors may conduct an additional follow-up via telephone call or in person to ensure appropriate progress is being made in those areas that have not been corrected adequately at this time.

We anticipate your continued cooperation in resolving this important matter.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

JEC/tal
cc: Belmont Retirement Board Members